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SUBJECT: MEDIA REACTION: U.S.-CHINA STRATEGIC ECONOMIC DIALOGUE,
U.S.-TAIWAN RELATIONS

11. Summary: Taiwan's major Chinese-language dailies focused news coverage May 26-29 on the 2008 presidential election; on the Pentagon's release of its "Military Power of the People's Republic of China 2007" report Saturday; on a female Taiwan cadet who graduated from West Point on May 26; and on local issues. In terms of editorials and commentaries, DPP's Chinese Affairs Department Director Lai I-chung discussed the U.S.-China Strategic Economic Dialogue (SED) in an op-ed in the pro-independence "Liberty Times" and said the results of this year's SED have proved that the United States' logic behind its request that Taiwan further open up to China is hardly convincing. Lai said in a separate op-ed piece published by the pro-unification "United Daily News" that pushing China to move toward an open market economy is the fundamental way for the normalization of cross-Straits trade relationship, and it will help improve Taiwan-U.S. relations. An editorial in the limited-circulation, pro-unification, English-language "China Post" said the "successful" conclusion of the SED in Washington shows that Beijing's strategy of "playing the U.S." game, albeit by its own rules" is effective. A separate "China Post" editorial said the creation of the SED "underlines the fact that China has become a major player in the world arena." An editorial in the limited-circulation, pro-independence, English-language "Taipei Times" discussed the United States' interests in Taiwan. The article said "the island's democratization has stiffened the US' resolve to protect it." End summary.

12. U.S.-China Strategic Economic Dialogue

A) "U.S.-China Economic Dialogue vs. KMT-CPC Empty Talks on Trade and Economics"

Lai I-chung, director of the DPP's Department of Chinese Affairs, opined in the pro-independence "Liberty Times" [circulation: 500,000] (5/27):

"... A few points in this year's U.S.-China Strategic Economic Dialogue (SED) are worth contemplating: First, the focus of the U.S.-China SED lies in how to resolve the trade issues concerning the two countries caused by China's opaque economic structure. This explains why such issues as the exchange rate between the renminbi and the dollar and market access were listed on the agenda. The 'U.S.-China SED' has thus provided a platform for the United States to raise these 'structural' issues with China. ...

"Second, it is a fact that the manufacturing business in the U.S. has been suffering from China's mercantilist operation. Despite the superior status of the United States, it still failed to achieve positive results in terms of China's market opening and economic transparency. But while China continues its protection of its internal market and keeps on strengthening its exports -- giving Taiwan businessmen a hard time in entering the Chinese market -- the United States, contrarily, requested that Taiwan further open [its

market] to China, believing that this will improve Taiwan-U.S. economic relations. The results of this year's SED have proved that such logic is not convincing at all.

"Finally, China's behavior in the U.S.-China SED was not unexpected, as it reflected Beijing's fundamental attitude of having no interest in facing the structural issues. ... As a result, if one views China's economy and Taiwan's strategy [toward China] under the framework of global strategy, [one will know that] how Taiwan should open up itself to China is just a fake agenda. What really matters instead is how to strengthen Taiwan's economic constitution and how to work with other countries to push for China's market opening and economic transparency, so as to construct a free economic environment in which it will be favorable for Taiwan to engage in fair competition, without being politically interfered with by the Chinese government. ..."

B) "Opening of China Will Certainly Be Conducive to Taiwan-U.S. Relations"

Lai I-chung, director of the DPP's Department of Chinese Affairs, opined in the pro-unification "United Daily News" [circulation: 400,000] (5/29):

"The second U.S.-China Strategic Economic Dialogue (SED) has concluded amid a lot of noise. Most observers believe that it yielded only meager results. Controversial issues that have received widespread attention, such as the exchange rate between the renminbi and dollar, the adherence to the World Trade Organization regulations, and intellectual property rights, have not been dealt with. Obviously, this dialogue has not only failed to mitigate the trade disputes between the United States and China but may likely also further intensify conflicts between the two because of its limited results. ...

"[Most people] view China as a market, so China's economic U.S.-TAIWAN RELATIONS

environment has become the focus of their concern. The many issues raised by Washington during the SED did not conflict with Taiwan's interests, and it will benefit the normalization of cross-Straits trade and economic relations should any progress be made [during the dialogue].

"Stephen Young said recently that Taiwan's further opening up to China will help to improve Taiwan-U.S. economic relationship. But an average of sixty percent of the Taiwan people believe that more stringent restrictions should be imposed on [the island's] investments in China, and seventy percent of the Taiwan people are worried about [the island's] dependence on China economically. Given the current trend in which China's economic nature is not moving toward market opening, Young's logic can hardly convince the Taiwan people. To push China to move toward an open market economy instead is the fundamental way for the normalization of cross-Straits trade and economic relations. Taiwan and the United States share common interests in urging China to undergo nonstructural economic reforms. As a result, the answer is quite obvious as to which will be conducive to the Taiwan-U.S. economic relationship: Taiwan's further opening up itself to China, or the request that China open up itself?"

C) "U.S.-PRC Trade Ties Smooth"

The conservative, pro-unification, English-language "China Post" [circulation: 30,000] editorialized (5/29):

"The People's Republic of China, like its former mentor, the now-defunct USSR, remains an ideological rival to the United States. But unlike the USSR, today's China is playing the U.S.' game, albeit by its own rules. The Soviet Union never tangoed with the U.S., but today's PRC dances with it easily on bilateral trade, nuclear proliferation and regional issues, including the Taiwan question. Last week's 'successful' conclusion of the second U.S.-China Strategic Economic Dialogue in Washington shows Beijing's strategy is effective. The biggest U.S. concern, the undervalued Chinese currency, was papered over. As long as the U.S. stands by its one-China policy opposing Taiwan independence, the PRC will not invade the 'Chinese, self-ruled, non-state island.' But Beijing's

missiles targeting Taiwan have increased to 1,000, making defense of the island an almost impossible task, even for the U.S. And Beijing's enactment of the Anti-Secession Law in March 2005 has effectively rendered the 1979 U.S. Taiwan Relations Act almost meaningless. ...

"Beijing has paid lip service to the U.S. anti-terrorist campaign. But on trade, it is bent on gaining from the U.S. as much and for as long as possible. China is already the world's third largest trading nation and seems destined to become the largest. On its present course, it threatens to wreck the entire post-World War II trading system. ..."

D) "Chinese Money Talks"

The conservative, pro-unification, English-language "China Post" [circulation: 30,000] editorialized (5/26):

"... The economic relationship between Washington and Beijing is complex. It is only natural that there are sources of friction and disputes. The inception of the Strategic Economic Dialogue provides a useful channel of discussion and communication between the two most important economies of the world. The meeting is arguably the most important of its kind besides Group of Seven annual talks among the world's richest developed nation. The creation of the Strategic Economic Dialogue underlines the fact that China has become a major player in the world arena. By the end of this year, the mainland is expected to become the world's second largest trading country, after the United States. As of the end of March this year, its foreign exchange reserves reached US\$1.2 trillion, an increase of 37 percent over the year-earlier period, mostly from a trade surplus of US\$46 billion in the first three months of this year. Money talks. With an economy, a market, and productivity of that size and potential, mainland China is something to be reckoned with. Of course, there are also pundits who have predicted the impending collapse of the regime. But before then, when Beijing talks, the world listens."

13. U.S.-Taiwan Relations

"What Taiwan Means to the US"

The following editorial in the pro-independence, English-language "Taipei Times" [circulation: 30,000], written by Dennis V. Hickey, the director of the graduate program in International Affairs at Missouri State University, noted (5/27):

"For more than 50 years, the US has enjoyed a remarkably close relationship with Taiwan. Arguably, no other country maintains as U.S.-TAIWAN RELATIONS

many ties with Taiwan. What lies behind US interest and how has it changed over time? ... Unlike strategic and economic interests, the US' political stake in Taiwan has grown exponentially with the passage of time. Taiwan has long served as visible evidence that the US stands by its friends and honors its commitments. But most important is Taiwan's peaceful evolution into a democracy.

"Taiwan's feisty democracy is far from perfect. But the island's democratization has stiffened the US' resolve to protect it. This is because most of the US supports the central propositions of 'democratic peace theory.' The US believes that democracies tend to be more reliable partners in trade and diplomacy and seldom threaten peace. Furthermore, democracies do not attack other democracies, engage in terrorism, wreak environmental damage or unleash waves of refugees on the world. It is for these reasons that the US will remain committed, as it has for more than half a century, to Taiwan. Indeed, the US' stated interest in Taiwan's democracy makes as much (or more) sense today as it did in the past."

YOUNG